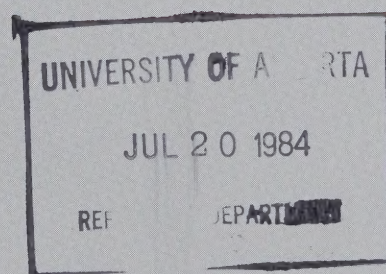




SAN

ANTONIO

EXPLORATIONS LTD.



**ANNUAL REPORT
1983**

corporate information

DIRECTORS

J. P. Crone, Victoria
R. G. Elliott, Calgary
D. R. Jepson, Calgary
C. V. Kloepper, Calgary
G. A. Reid, Calgary

OFFICERS

D. R. Jepson, President
G. A. Reid, Secretary-Treasurer
V. F. Maxwell, Assistant Secretary

HEAD OFFICE

Suite 205
309 Second Avenue Southwest
Calgary, Alberta T2P 0C5

AUDITORS

Deloitte, Haskins & Sells
Suite 2300
255 Fifth Avenue Southwest
Calgary, Alberta T2P 3G6

BANK

The Mercantile Bank of Canada
17th Floor
800 Fifth Avenue S.W.
Calgary, Alberta T2P 0N3

REGISTRAR & TRANSFER AGENT

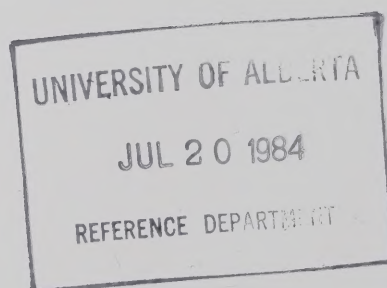
Montreal Trust
411 Eighth Avenue Southwest
Calgary, Alberta T2P 1E7

SOLICITORS

McDonald & Hayden
Fifth Floor
500 Fifth Avenue Southwest
Calgary, Alberta T2P 3L5

LISTED ON

The Alberta Stock Exchange
300 Fifth Avenue Southwest
Calgary, Alberta T2P 3C4



The following legend applies to all maps contained in this report.

LEGEND	
	Land in which San Antonio has an Interest
●	Oil Well
☼	Gas Well
☼	Oil and Gas Well
○	Location
⊗	Service Well
⊗	Water Injection Well
⊕	Dry and Abandoned
⊕	Abandoned Oilwell

to our shareholders

It is gratifying to report, on behalf of the Board of Directors, that 1983 has been an exceptional year for San Antonio. Following are some of the highlights from the Consolidated Financial Statements:

- Capital Expenditures \$1,615,400, down from \$2,675,700.
- Cash Flow of \$1,703,949, up from \$311,000 (56 cents per share versus 12 cents per share).
- Basic Earnings of \$667,072, up from \$45,665 (27 cents per share versus 2 cents per share).

The major contribution to the Company's improved position was the development drilling and waterflood implementation at Carrot Creek. Since starting water injection in September 1982, significant response has occurred. The Company also drilled a new oilwell close to the waterflood property.

In New Mexico, eleven wells were drilled, increasing production from 190 to 240 barrels of oil per day.

At Battle South two new oilwells were drilled and completed in 1983.

The Company participated in five wells in Saskatchewan resulting in three oilwells and two indicated oilwells not yet successfully completed.

Two wells drilled in the Fox Creek area resulted in one D&A and one cased indicated oilwell.

At year end Vikor Resources Ltd., in which San Antonio owns a 15% share equity, had successfully completed construction of its Joffre carbon dioxide tertiary recovery pilot facilities. Injection of carbon dioxide started early in 1984.

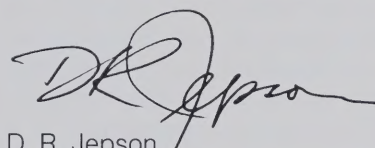
During 1983, San Antonio participated in the drilling of twenty-nine wells which resulted in twenty-two oilwells, six service wells and one dry hole.

Since year end, San Antonio participated in two wells in Rainbow South resulting in one D&A and one cased Keg River oilwell in which the Company has a 14% working interest.

1983 was a positive year for your Company. With its strong cash flow and low debt many attractive opportunities will be pursued.

The Board would like to express its appreciation of the dedicated efforts of the Company staff.

On behalf of the Board,


D. R. Jepson,
President

exploration and development activities

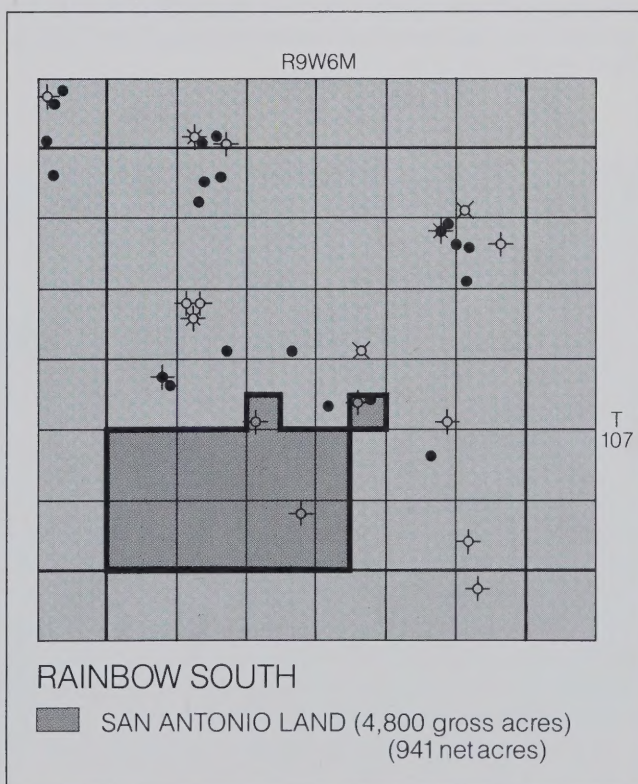
RAINBOW SOUTH

Under the operatorship of Spitzee Resources Ltd., the Company acquired a 20% interest in 4,320 gross acres of leases in the Rainbow South area of northwest Alberta in September 1982.

This acquisition was the culmination of many months of detailed seismic review by Spitzee including the reprocessing of old records, shooting of new lines, and interpretation of many miles of seismic data. This study resulted in the identification of many reef anomalies.

Since year-end one well was drilled and abandoned with no hydrocarbon shows. While discouraging this will not effect the other separate anomalies, several of which are scheduled for drilling in the next twelve months.

The group was successful in negotiating a farmout on another 160 acres encompassing another reef anomaly in the area. San Antonio have committed to a Keg River well (14% interest) to earn the land.



exploration and development activities (cont'd)

CARROT CREEK

In late 1980 the Company acquired five suspended Cardium oilwells including 3,200 acres. These wells which were put on production in early 1981, qualified for NORP status under the N.E.P. and averaged 50 BOPD in the first year.

During the ensuing year, a reservoir study was completed which confirmed the feasibility of water-flooding the Carrot Creek Cardium Pool. In August 1982 all facilities were in place and water injection commenced the following month. The project received a waterflood allowable of 275 BOPD.

In November 1982 the Company drilled and completed the development well 12-8-52-12 W5 which encountered 50 feet of conglomerate pay and initially produced in excess of 200 BOPD.

During 1983 the waterflood showed good response and the project produced as expected. The Company has a 70% interest in this property.

In December 1983, the Company drilled the well 4-9C-52-12 W5 to earn an interest in one section (640 acres) of Cardium rights. San Antonio's share in the well was 65%. The well is currently producing 15 BOPD. Remedial work is being considered in order to improve productivity.

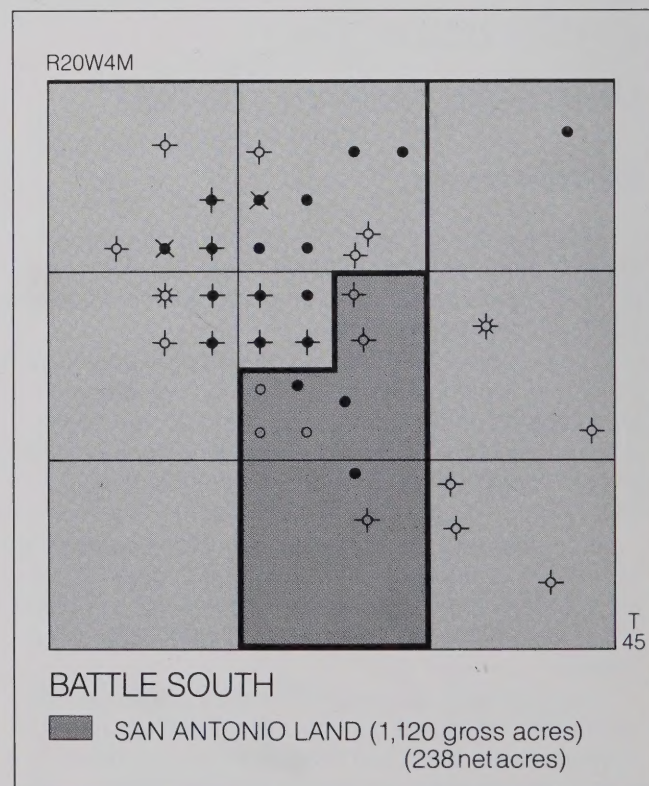
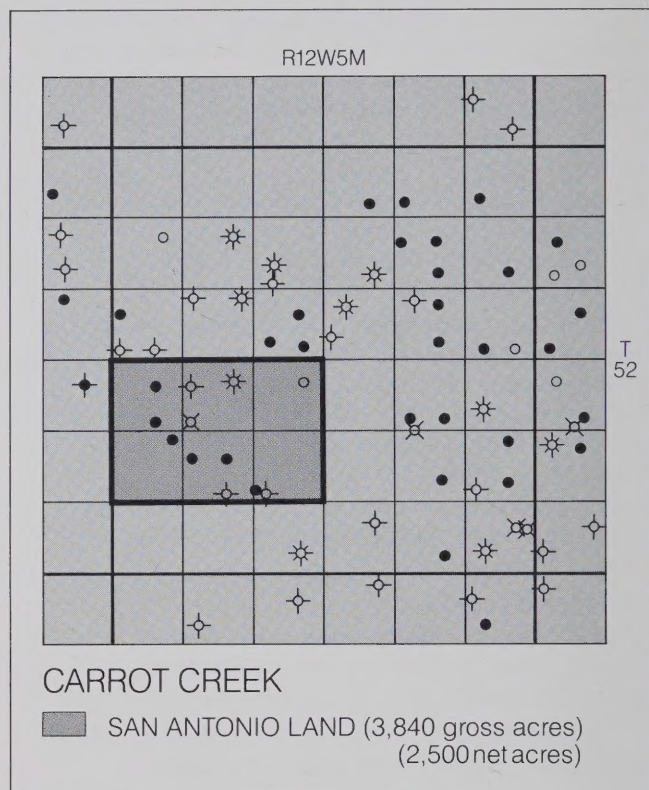
Current drilling activity in the area coupled with on-going seismic programs indicates the potential for several new wells on San Antonio's properties in the next several months.

BATTLE SOUTH

In 1982 San Antonio participated as to a 25% interest in its first Viking oilwell at 6-25-45-20 W4. The well is presently producing 20 BOPD.

During 1983 the Company drilled two additional wells, 7-25 and 15-24 which are producing 30 and 40 BOPD respectively. Two additional locations are virtually proven and will be drilled before year end. All wells qualify for NORP oil prices.

The present land holding totals 1,120 gross acres with interests varying from 15 to 30%.



JOFFRE

San Antonio purchased 15% of the issued common shares of Vikor Resources Ltd. Vikor owns 72% in the Joffre Viking Tertiary Recovery Unit which encompasses some 10,000 acres of the old abandoned Joffre Viking oilfield east of Red Deer.

At year-end Vikor had drilled eight oilwells and six injection wells and completed the producing and treating facilities for a 320-acre pilot tertiary recovery project involving the injection of CO₂ and water in order to recover more oil from the pool. CO₂ was first injected in early January 1984.

AOSTRA (Alberta Oil Sands Technology and Research Authority) are contributing 75% of the Project Costs and are entitled to 75% of the revenues until payout at which time Vikor and partners revert to 100% interest in the project.

Upon successful completion of the Pilot Operations, some one hundred more wells will be completed to recover up to 9,000,000 barrels of oil from the Unit area of the field.

Under Provincial and Federal incentive schemes royalties are reduced in the early years and the oil qualifies for NORP prices. Your Company is participating in the first Tertiary Recovery CO₂ project in Canada and in the coming years could enjoy a significant level of growth through its 10.8% interest in this project.

SOUTHEAST SASKATCHEWAN

During 1983 San Antonio participated in five wells to the extent of 30 to 40% interest and earned 20 to 30% interest in three oilwells and two suspended wells.

A well in Glen Ewen was cased as a Frobisher oilwell after recovering several hundred feet of oil with some water. To date the Operator has been unable to make the well produce economically. Remedial programs are being investigated.

Another cased Frobisher oilwell in the Frys area has not produced oil since completion by the Operator. The well is currently suspended pending a complete review.

Two wells in the Pinto area are completed and are producing 40 BOPD each. The Company's interest in these wells is 20%.

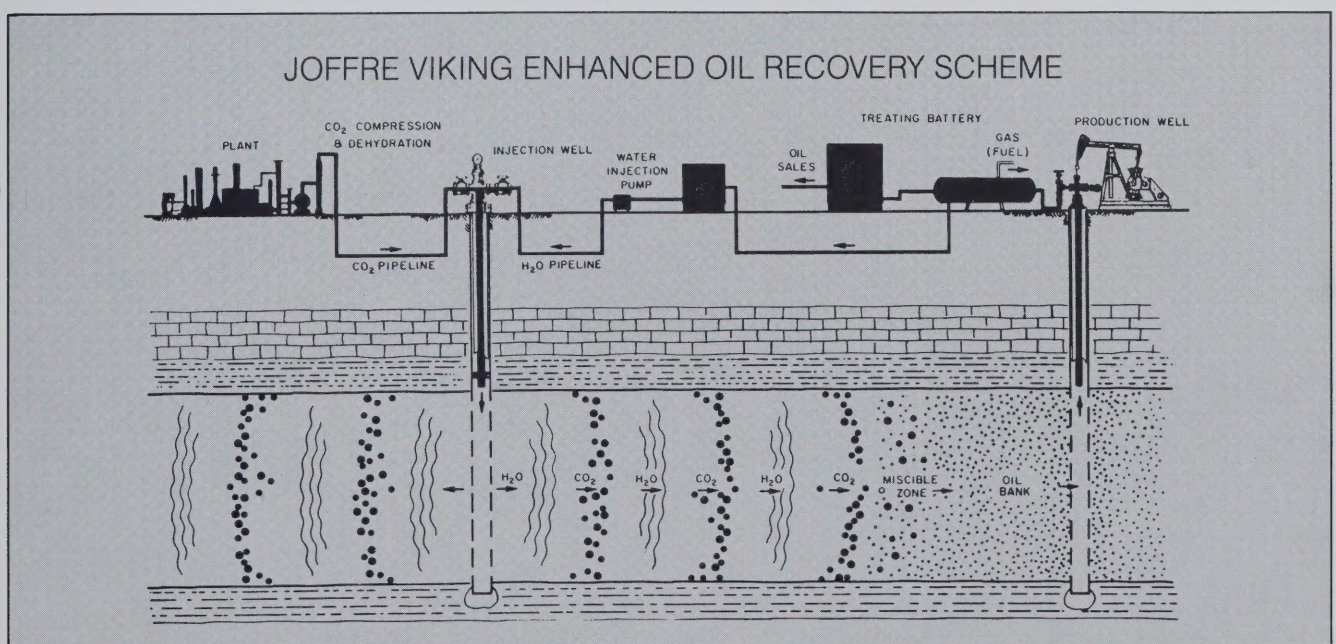
In Queensdale East our 20% interest in a completed Frobisher well is producing 60 BOPD.

HORSESHOE GALLOP - NEW MEXICO

In 1980 San Antonio purchased a 4.7% interest in an old shallow oilfield near the "Four Corners" area of New Mexico. The wells produced from the Gallop sand at 1,100 feet KB. The Company, along with the other partners, embarked on an infill drilling and upgrading program.

In the subsequent three and one-half years, twenty-four new wells were drilled, raising the production from 90 to 250 BOPD.

With the upgrading program now complete production should exhibit only modest declines, thus assuring a relatively long-term source of revenue.



SAN ANTONIO EXPLORATIONS LTD.

consolidated balance sheet

DECEMBER 31, 1983

ASSETS

CURRENT ASSETS

Accounts receivable	\$ 894,351	\$ 833,703
Advances and prepaid expenses	14,959	13,850
Income taxes recoverable	32,817	90,383
	<u>942,127</u>	<u>937,936</u>

PROPERTY AND EQUIPMENT (Note 2)	4,887,541	3,684,116
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INVESTMENT IN AND ADVANCES TO VIKOR RESOURCES LTD. (Note 3)	485,250	560,250
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	<u>\$6,314,918</u>	<u>\$5,182,302</u>
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LIABILITIES

CURRENT LIABILITIES

Bank indebtedness	\$ 71,108	\$ 72,794
Accounts payable	970,807	381,439
Current portion of long-term debt	—	1,685,000
	<u>1,041,915</u>	<u>2,139,233</u>

DEFERRED INCOME TAX	474,892	—
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LONG-TERM DEBT (Note 4)	2,912,345	2,615,000
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	<u>4,429,152</u>	<u>4,754,233</u>
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SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 5)

An unlimited number of Class A and B common shares

Issued and fully paid

3,558,950 Class A common shares (1982 - 2,486,100 shares)	1,457,210	642,210
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RETAINED EARNINGS (DEFICIT)	452,931	(214,141)
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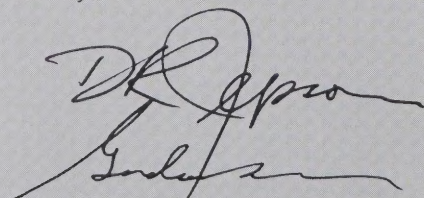
	<u>1,910,141</u>	<u>428,069</u>
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LESS 19,500 COMMON SHARES IN TREASURY, at cost	24,375	—
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	<u>1,885,766</u>	<u>428,069</u>
--	------------------	----------------

	<u>\$6,314,918</u>	<u>\$5,182,302</u>
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Approved by the Board:



, Director

, Director

SAN ANTONIO EXPLORATIONS LTD.

consolidated statement of earnings

YEAR ENDED DECEMBER 31, 1983

	1983	1982
INCOME		
Sale of oil and gas less royalties	\$1,767,353	\$ 646,003
Other income	147,740	41,633
	1,915,093	687,636
COSTS AND EXPENSES		
Production and operating	193,314	143,230
General and administrative	172,441	141,540
Interest	267,777	196,685
Depletion, depreciation and amortization	411,985	265,172
	1,045,517	746,627
EARNINGS (LOSS) BEFORE INCOME TAX	869,576	(58,991)
INCOME TAX PROVISION (RECOVERY) (Note 6)	52,504	(104,656)
EARNINGS BEFORE EXTRAORDINARY ITEM	817,072	45,665
EXTRAORDINARY ITEM		
Premium on redemption of debenture (Note 4)	150,000	—
NET EARNINGS FOR THE YEAR	\$ 667,072	\$ 45,665
EARNINGS PER SHARE		
Basic — before extraordinary item	27.5¢	1.8¢
— after extraordinary item	22.5¢	—
Fully diluted — before extraordinary item	26.2¢	1.0¢
— after extraordinary item	21.5¢	—

consolidated statement of retained earnings

YEAR ENDED DECEMBER 31, 1983

	1983	1982
DEFICIT, BEGINNING OF YEAR	\$ 214,141	\$ 259,806
NET EARNINGS	667,072	45,665
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 452,931	<u><u>\$ (214,141)</u></u>

consolidated statement of changes in financial position

YEAR ENDED DECEMBER 31, 1983

	<u>1983</u>	<u>1982</u>
SOURCES OF WORKING CAPITAL		
Operations		
Net earnings before extraordinary item	\$ 817,072	\$ 45,665
Depletion, depreciation and amortization	411,985	265,172
Deferred income tax	474,892	—
	<u>1,703,949</u>	<u>310,837</u>
Increase in long-term debt	612,345	2,800,000
Repayment of notes receivable from Vikor Resources Ltd.	75,000	—
Shares issued for cash	315,000	—
Shares issued on redemption of debenture	500,000	—
	<u>3,206,294</u>	<u>3,110,837</u>
USES OF WORKING CAPITAL		
Additions to property and equipment	1,615,410	2,115,472
Investment in Vikor Resources Ltd.	—	560,250
Reduction of long-term debt	315,000	1,685,000
Purchase of company shares	24,375	—
Extraordinary item, premium paid on redemption of debenture	150,000	—
	<u>2,104,785</u>	<u>4,360,722</u>
INCREASE (DECREASE) IN WORKING CAPITAL	1,101,509	(1,249,885)
WORKING CAPITAL (DEFICIENCY), BEGINNING OF YEAR	(1,201,297)	48,588
WORKING CAPITAL (DEFICIENCY), END OF YEAR	<u>\$ (99,788)</u>	<u>\$ (1,201,297)</u>

auditors' report

To the Shareholders of

San Antonio Explorations Ltd.:

We have examined the consolidated balance sheet of San Antonio Explorations Ltd. as at December 31, 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 8, 1984

DELOITTE HASKINS & SELLS
Calgary, Alberta

notes to the consolidated financial statements

DECEMBER 31, 1983

1. SIGNIFICANT ACCOUNTING POLICIES**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned United States subsidiary, San Antonio Exploration, Inc.

Petroleum and Natural Gas Properties

The Company follows the full-cost method of accounting whereby all costs related to the exploration for and development of oil and gas reserves are capitalized in two cost pools, Canada and the United States. Such costs include land acquisition costs, geological and geophysical expenditures, carrying costs on non-producing properties, costs of drilling both productive and non-productive wells, certain administrative expenditures, and interest related to exploration and development activities. For the year ended December 31, 1983, interest aggregating \$137,000 (1982 - \$85,000) was capitalized. Depletion and depreciation of petroleum and natural gas properties and equipment have been provided using the unit-of-production method based on the Company's determination of proven reserves for each cost pool.

The majority of the Company's activities related to exploration and production of oil and gas are conducted jointly with others, and only the Company's proportionate interest in these activities is included in the financial statements.

Foreign Currency Translation

Accounts of foreign operations are translated into Canadian dollars as follows: current assets and liabilities at year-end exchange rates; long-term assets and liabilities at rates in effect when the assets were acquired or the liability incurred; and income and expenses at average rates during the year with the exception of depletion, depreciation and amortization, which have been translated at the rate of the related assets. The resulting exchange gains or losses are included in the statement of income.

Earnings Per Share

Basic earnings per share are computed on the basis of the weighted average number of common shares outstanding throughout the year. Fully diluted earnings per share give effect to the exercise of the stock options described in Note 5 at the beginning of the year.

2. PROPERTY AND EQUIPMENT

	1983		1982	
	Carrying Values (Note 1)	Accumulated Depletion and Depreciation	Carrying Values (Note 1)	Accumulated Depletion and Depreciation
Petroleum and natural gas properties and production facilities	\$5,732,938	\$858,629	\$4,133,197	\$452,048
Other assets	20,178	6,946	4,509	1,542
	<u>\$5,753,116</u>	<u>\$865,575</u>	<u>\$4,137,706</u>	<u>\$453,590</u>

3. INVESTMENT IN AND ADVANCES TO VIKOR RESOURCES LTD.

The Company has a 15% interest in Vikor Resources Ltd., a corporation established to undertake a tertiary oil recovery scheme in the Joffre area of Alberta. The project is in a development stage and the investment is accounted for on the cost basis. Details are as follows:

	1983	1982
2,550 shares at \$100 per share	\$255,000	\$255,000
Notes receivable — bearing interest at bank prime rate plus 2% (prime rate 11% at at December 31, 1983), repayable out of proceeds of production	230,250	305,250
	<u>\$485,250</u>	<u>\$560,250</u>

4. LONG-TERM DEBT

	1983	1982
Convertible debentures with interest at 10% payable semi-annually, due December 15, 1983, secured by a first floating charge on all assets of the Company, convertible into common shares at 85¢ per common share from June 1, 1982 to December 1, 1983	\$ —	\$1,500,000
Bank loan payable to The Mercantile Bank of Canada, with interest at bank prime rate 1% (prime rate 11% at December 31, 1983), secured by oil and gas properties and book debts, payable on demand	2,912,345	2,300,000
Shareholder loan, non-interest bearing, unsecured, no fixed term of repayment	—	500,000
	<u>2,912,345</u>	<u>4,300,000</u>
Less amount due within one year	—	1,685,000
	<u>\$2,912,345</u>	<u>\$2,615,000</u>

Although the bank loan in the amount of \$2,912,345 is payable on demand, the Company and The Mercantile Bank of Canada have informally agreed that, in the ordinary course of events, no capital repayments will be made either on demand or in accordance with a repayment schedule within the next twelve months.

Interest paid on long-term debt during the year amounted to \$404,777 (1982 - \$281,680).

During the year the Company retired convertible debentures in the amount of \$1,000,000. As compensation for non-conversion of the debentures, the holders were paid a premium of \$150,000. This amount has been charged against earnings of the year as an extraordinary item. The balance of the convertible debentures of \$500,000 was converted into common shares as described in Note 5.

5. SHARE CAPITAL

The following transactions took place during the year:

- Pursuant to an agreement dated January 1, 1982, the Company issued 484,615 common shares on February 24, 1983 to a company controlled by a director for 65¢ per share. Proceeds of \$315,000 were used in the Company's petroleum and natural gas exploration program. This amount qualifies as Canadian Exploration and Canadian Development Expense as defined in the Income Tax Act, and the tax deductibility of these expenditures has been allocated to the holder of the shares.
- Convertible debentures in the amount of \$500,000 were converted into 588,235 common shares at 85¢ per share.
- During the year the Company purchased on the open market 19,500 of its common shares for an amount of \$24,375.

At December 31, 1983, 250,000 common shares had been reserved under the Company's stock option plan. Options in respect of 200,000 shares have been granted to key employees and officers of the Company, and are exercisable over varying periods up to May 1, 1988, at prices ranging from 75¢ to \$1.00.

6. INCOME TAXES

The provision for taxes is comprised of the following:

	1983	1982
Deferred income taxes	\$ 474,892	\$ —
Alberta royalty tax credit	(422,388)	(104,656)
	<u>\$ 52,504</u>	<u>\$ (104,656)</u>

The provision for deferred income taxes is greater than the provision established by applying a combined Federal and Provincial rate of 48.8% to pre-tax income. The difference is largely attributable to the non-deductibility for tax purposes of certain royalty payments.

The Company and its subsidiary have tax losses which may be carried forward to apply against future income tax purposes as follows:

1984	\$ 43,000
1985	43,000
1986	210,000
Later	328,000
	<u>\$624,000</u>

Of the above tax losses, the benefit of \$92,000 has not been recognized in these financial statements.

7. REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration of directors and officers of the Company, as defined by the Alberta Business Corporations Act, amounted to \$90,000 (1982 - \$89,000).

8. SEGMENTED INFORMATION

The Company conducts oil and gas activities in both Canada and the United States. The carrying value of identifiable assets at December 31, 1983 and the results of operations for the year ended December 31, 1983, by country, are as follows:

	Canada	United States	Consolidated
1983			
Total income	<u>\$1,776,781</u>	<u>\$ 138,312</u>	<u>\$1,915,093</u>
Segment operating profit	<u>\$1,194,031</u>	<u>\$ 10,755</u>	<u>\$1,204,786</u>
General and administrative expense			(172,441)
Interest expense			(267,777)
Income taxes			52,504
Extraordinary item			(150,000)
Net earnings			<u>\$ 667,072</u>
Identifiable assets	<u>\$5,366,759</u>	<u>\$ 948,159</u>	<u>\$6,314,918</u>
Total capital expenditures	<u>\$1,432,835</u>	<u>\$ 182,575</u>	<u>\$1,615,410</u>
Depreciation and amortization	<u>\$ 321,404</u>	<u>\$ 90,581</u>	<u>\$ 411,985</u>
1982			
Total income	<u>\$ 602,526</u>	<u>\$ 85,110</u>	<u>\$ 687,636</u>
Segment operating profit (loss)	<u>\$ 358,436</u>	<u>\$ (79,202)</u>	<u>\$ 279,234</u>
General and administrative expense			(141,540)
Interest expense			(196,685)
Income taxes			104,656
Net earnings			<u>\$ 45,665</u>
Identifiable assets	<u>\$4,212,144</u>	<u>\$ 970,158</u>	<u>\$5,182,302</u>
Total capital expenditures	<u>\$1,936,158</u>	<u>\$ 179,314</u>	<u>\$2,115,472</u>
Depreciation and amortization	<u>\$ 147,942</u>	<u>\$ 117,230</u>	<u>\$ 265,172</u>

9. RELATED PARTY TRANSACTIONS

Certain directors and officers of the Company own interests in petroleum and natural gas properties in which the Company has an economic interest and is the sub-operator. All transactions with these related parties in connection with these activities are in the normal course of business and the fees charged to the parties are normal to the industry. Amounts receivable from and payable to these related parties included in accounts receivable and accounts payable are \$141,927 and \$77,665 respectively (1982 - \$60,414 and \$18,966 respectively).

The premium paid on conversion of the debentures as described in Note 4 was paid to directors and companies affiliated with directors of San Antonio Explorations Ltd.

10. CONTINGENT LIABILITIES

The Company is contingently liable as a guarantor for \$300,000 under a letter of credit issued by a bank to guarantee loans made to Vikor Resources Ltd. (Note 3).

reserves

The proven and probable crude oil reserves of the Company as at December 31, 1982 were estimated by in-house staff engineers as follows:

	Proven (Bbls)		Probable (Bbls)	
	Gross	Net	Gross	Net
CANADA				
Battle South	194,000	51,100	130,000	31,000
Buck Lake	—	—	365,000	45,000
Carrot Creek	681,000	471,900	500,000	345,000
Giroux	—	—	120,000	24,000
Joffre CO ₂ Project	—	—	9,000,000	972,000
Long Coulee	50,000	2,000	—	—
Pinto	200,000	40,000	—	—
Queensdale	100,000	20,000	—	—
	<u>1,225,000</u>	<u>585,000</u>	<u>10,115,000</u>	<u>1,417,000</u>
UNITED STATES				
New Mexico	575,000	27,000	—	—
GRAND TOTAL	<u>1,800,000</u>	<u>612,000</u>	<u>10,115,000</u>	<u>1,417,000</u>

The Gross Reserves represent the 100% working interest reserves before Provincial, State and over-riding royalties. The Net Reserves result from application of the Company's respective working interests to the above gross reserves. The Carrot Creek Waterflood Project has been evaluated by an independent reservoir engineer who places the remaining gross reserves at 798,700 bbls, slightly higher than the in-house estimates. While the Joffre CO₂ Project is only in the pilot stage, the Company is encouraged by preliminary results and is confident that increasing portions of its probable reserves will enjoy proven status in the coming years.

The Company's engineers have also appraised these Proven Reserves as of December 31, 1983. In this evaluation NORP oil prices were kept constant for

1984 and 1985 then escalated at \$2/bbl/year to a maximum of \$50/bbl. Operating costs were inflated at 8% per annum. Based on these assumptions and appropriate production declines, the discounted cash flows over fifteen (15) years yielded the following values:

DCF 15% —	\$9,836,000	
DCF 18% —	8,901,000	Before Income Tax
DCF 20% —	8,365,000	

No values have been computed for the Probable Reserves.

By concentrating its exploration and development programs in oil prone areas, the Company has avoided the problem of shut-in production which plagues gas producers. All proven reserves are currently on production, and qualify for NORP prices.

land holdings

Area	Interest	Acreage	
		Gross	Net
CANADA			
BRITISH COLUMBIA			
Trutch	1-8	9,576	454
TOTAL		9,576	454
ALBERTA			
Battle South	25	1,120	238
Carrot Creek	65-70	3,840	2,500
Giroux	20-23.65	3,840	1,271
Grand Forks	16.7	960	160
Gosling	24.3	659	160
Long Coulee	4	1,120	26
Minnihik	12.5	1,280	160
Pembina	10	840	64
Rainbow South	14-20	4,320	950
TOTAL		17,979	5,529
SASKATCHEWAN			
Browning	30-75	800	456
Freda Lake	12.5	480	61
Pinto	20	360	72
Queensdale	20	80	16
TOTAL		1,720	605
TOTAL CANADA		29,275	6,588
UNITED STATES			
California	21.6	3,533	763
Kansas	10-15	11,426	1,285
Montana	25	16,090	4,023
New Mexico	4.7	3,041	143
Oklahoma	12.5	45	6
TOTAL UNITED STATES		34,135	6,220
GRAND TOTAL		63,410	12,808

historical data

DRILLING ACTIVITY

Area	Interest	1983				1982				1981				1980				1979			
		Oil	Other	Dry	Total	Oil	Gas	Dry	Total	Oil	Gas	Dry	Total	Oil	Gas	Dry	Total	Oil	Gas	Dry	Total
CANADA																					
Battle South ...	25	2	—	—	2	1	—	—	1	—	—	—	0	—	—	—	0	—	—	—	0
Carrot Creek ..	65-70	1	—	—	1	1	—	—	1	—	—	—	0	—	—	—	0	—	—	—	0
Frys	20	1	—	—	1	—	—	—	0	—	—	—	0	—	—	—	0	—	—	—	0
Glen Ewen	30	1	—	—	1	—	—	—	0	—	—	—	0	—	—	—	0	—	—	—	0
Giroux	20	1	—	1	2	—	—	—	0	—	—	—	0	—	—	—	0	—	—	—	0
Grand Forks ...	17	—	—	—	0	—	—	—	0	—	—	—	0	—	—	—	0	—	—	1	1
Joffre (Vikor) ..	11	2	6	—	8	6	1	—	7	—	—	—	0	—	—	—	0	—	—	—	0
Long Coulee ..	4	—	—	—	0	—	—	1	1	1	—	—	1	—	—	—	0	—	—	—	0
Pembina	10	—	—	—	0	—	—	—	0	1	—	—	1	—	—	—	0	—	—	—	0
Pinto	20	2	—	—	2	—	—	—	0	—	—	—	0	—	—	—	0	—	—	—	0
Queensdale ...	20	1	—	—	1	—	—	—	0	—	—	—	0	—	—	—	0	—	—	—	0
Roxy Program ..	1-5	—	—	—	0	11	1	14	26	—	—	—	0	—	—	—	0	—	—	—	0
Trutch	2-8	—	—	—	0	—	—	—	0	—	1	1	2	1	—	1	2	—	—	2	2
TOTAL		11	6	1	18	19	2	15	36	2	1	1	4	1	0	1	2	0	0	3	3
U.S.A.																					
California	13.5	—	—	—	0	—	—	—	0	—	—	—	0	—	—	1	1	—	—	1	1
Kansas	15	—	—	—	0	—	—	—	0	—	—	—	0	—	—	5	5	—	—	—	0
New Mexico ...	5	11	—	—	11	5	—	—	5	8	—	—	8	—	—	—	0	—	—	—	0
Oklahoma	12.5	—	—	—	0	—	—	—	0	—	—	—	0	—	—	—	0	1	—	—	1
TOTAL		11	0	0	11	5	0	0	5	8	0	0	8	0	0	6	6	1	0	1	2
GRAND TOTAL		22	6	1	29	24	2	15	41	10	1	1	12	1	0	7	8	1	0	4	5

historical data

CONSOLIDATED STATEMENT OF INCOME

	1983	1982	1981	1980	1979
INCOME					
Sale of oil less royalties	\$1,767,353	\$ 646,003	\$ 220,111	\$ 38,567	\$ —
Interest income	—	—	—	—	17,701
Other income	147,740	41,633	97,098	34,821	—
	1,915,093	687,636	317,209	73,388	17,701
COSTS AND EXPENSES					
Production and operating	193,314	143,230	174,409	18,603	—
General and administrative	172,441	141,540	108,748	31,465	43,772
Interest	267,777	196,685	56,969	15,880	17,330
Depletion, depreciation and amortization ...	411,985	265,172	171,237	13,009	—
	1,045,517	746,627	511,363	78,957	61,102
EARNINGS (LOSS) BEFORE INCOME TAX .	869,576	(58,991)	(194,154)	(5,569)	(43,401)
INCOME TAX PROVISION (RECOVERY)	52,504	(104,656)	—	—	—
EARNINGS:					
BEFORE EXTRAORDINARY ITEM	817,072	45,665	(194,154)	(5,569)	(43,401)
EXTRAORDINARY ITEM:					
Premium on redemption of debenture	150,000	—	—	—	—
NET EARNINGS (LOSS) FOR THE YEAR ...	\$ 667,072	\$ 45,665	\$(194,154)	\$(5,569)	\$(43,401)
EARNINGS PER SHARE					
Basic — before extraordinary item	\$.275	\$.02	\$(.08)	\$(.002)	\$(.02)
— after extraordinary item	\$.225	—	—	—	—
Fully diluted — before extraordinary item ...	\$.262	\$.01	—	—	—
— after extraordinary item	\$.215	—	—	—	—

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1983	1982	1981	1980	1979
NET INCOME (LOSS) BEGINNING					
OF YEAR	\$ (214,141)	\$(259,806)	\$ (65,652)	\$(60,083)	\$(16,682)
NET INCOME (LOSS)	667,072	45,665	(194,154)	(5,569)	(43,401)
RETAINED EARNINGS (DEFICIT)					
END OF YEAR	\$ 452,931	\$(214,141)	\$(259,806)	\$(65,652)	\$(60,083)

historical data

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1983	1982	1981	1980	1979
SOURCES OF WORKING CAPITAL					
Operations					
Net income before extraordinary item	\$ 817,072	\$ 45,664	\$ —	\$ —	\$ —
Depletion, depreciation and amortization	411,985	265,172	—	—	—
Deferred income tax	474,892	—	—	—	—
Issue of convertible debenture	—	—	—	1,500,000	—
Issuance of share capital	—	—	—	150,000	390,000
Non-current portion of shareholder's loan	—	—	—	—	40,000
Increase in long term debt	612,345	2,800,000	—	—	—
Repayment of notes receivable	75,000	—	—	—	—
Shares issued for cash	315,000	—	—	—	—
Shares issued on redemption of debenture	500,000	—	—	—	—
	<u>3,206,294</u>	<u>3,110,836</u>	<u>—</u>	<u>1,650,000</u>	<u>430,000</u>
USES OF WORKING CAPITAL					
Additions to property and equipment	1,615,410	2,115,472	599,708	1,042,421	314,082
Investment in Vikor Resources	—	560,250	—	—	—
Reduction of long term debt	315,000	1,685,000	—	—	—
Purchase of company shares	24,375	—	—	—	—
Extraordinary item, premium on redemption of debenture	150,000	—	—	—	—
Net loss	—	—	194,154	5,569	43,401
Items not affecting working capital					
Depletion, depreciation and amortization	—	—	(171,237)	(13,009)	—
Reduction in shareholder loans	—	—	—	40,000	—
Additions to other assets	—	—	—	3,510	2,500
	<u>2,104,785</u>	<u>4,360,722</u>	<u>622,625</u>	<u>1,078,491</u>	<u>359,983</u>
INCREASE (DECREASE) IN WORKING CAPITAL	1,101,509	(1,249,885)	(622,625)	571,509	70,017
WORKING CAPITAL (DEFICIENCY), beginning of year	(1,201,297)	48,588	671,213	99,704	27,187
WORKING CAPITAL (DEFICIENCY), end of year	<u>\$ (99,788)</u>	<u>\$ (1,201,297)</u>	<u>\$ 48,588</u>	<u>\$ 671,213</u>	<u>\$ 97,204</u>

